

**Access to Microfinance & Improved Implementation of Policy
Reform**

(AMIR Program)

Funded By U.S. Agency for International Development

Jordanian Women's Development Society

Technical Assistance # 2

FINAL REPORT

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This report was prepared by Ms. Jennifer Harold, short term consultant, in collaboration with Chemonics International Inc., as prime contractor to the United States Agency for International Development for the AMIR Program

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JWDS Operational Standardization Follow Up Report

Executive Summary:

In April 1998 The Jordanian Women's Development Society was in a critical stage of it's development. The organization was dealing with several cases of Promoter fraud; the Executive Director had resigned and the portfolio quality was declining. At that time a short term consultant worked with the staff to develop a variety of suggestions to standardize and streamline the operations. While some of the procedures were implemented immediately most were pilot tested in two areas over a five month period.

In November 1998, this follow up contract was undertaken to review the outcome of the pilots and suggest direction for future development. Procedures reviewed and/ or drafted were:

- Promoter's Manual (now called the Credit Agent's Manual) - revised
- outline Area Supervisor's Manual - drafted
- outline Operation's Manual - drafted
- delinquency follow up procedures to complement weekly disbursement - revised
- delinquency ledger for daily follow-up - proposed
- weekly disbursement from site centers - confirmed affirmed and ready for replication across all sites
- credit agent prepared vouchers to be disbursed with loan to reduce voucher errors - affirmed and to be implemented across all sites
- internal control procedures - drafted

Policies reviewed

- reduced group size for older groups - affirmed for 4th plus cycles, rejected for earlier cycles
- Credit Agents to disburse loans directly - affirmed
- staff incentive scheme - reviewed and implemented
- non-financial incentives - affirmed

Market/ product research

- reviewed data collected from the client drop out survey
- rural versus urban market development - focus on urban
- individual loan product development - affirmed

In addition to the new procedures the Board of Directors of JWDS hired a new Executive Director, Niveen Abboushi. Under Niveen's direction the organization has made a dramatic turn around. Staff morale is high, portfolio quality is high (2.9% Portfolio at Risk) and there is a renewed sense of mission. Maintaining the momentum will depend on developing a stronger marketing strategy to penetrate deeper into the urban market; training of Credit Agents in promotion and implementing internal controls. With the recent appointment of an Operations Coordinator and Internal Controller, issues of adherence to procedures should be dealt more effectively leaving the organization free to focus its energy on scaling up for sustainability.

Introduction:

The past ten months have been full of changes for the Jordanian Women's Development Society (JWDS). In January 1997 JWDS moved out of the office they shared with Save the Children (SC) and into their own office. Over the next few months the organization uncovered 6 cases of fraud and closed down 3 site offices. In March the Executive Director resigned. By April 1998 the number of clients had declined to 3563 (from a high of 4911 in November 1997), the portfolio shrank to 229,384JD (from 302,631JD in Nov) and the portfolio at risk was up to 18.7%.

At this point SC contracted with the AMIR project¹ for a short term consultant (Jennifer Harold) to work on streamlining and standardizing operational procedures. A variety of changes were proposed. Some of these were for immediate implementation while others were to be tested over a four month period and revised before being replicated across all sites. This primary purpose of this consultancy (November 1998) is to review and refine the changes implemented since May and make and suggestions for further development.

Description of work:

As a follow up to the May consultancy the revised Scope of Work² for this contract focuses on 4 areas of investigation:

1. review and revise changes implemented since May;
2. review/ develop internal control procedures
3. draft an Area Supervisor's³ Manual

¹ AMIR (Assisting Microfinance and Implementing policy Reform) - managed by Chemonics International.

² Revised in consultation with Derek Farwagi (AMIR) and Gerry Andersen (USAID)

³ Staff restructuring has resulted in changes to the titles given to certain positions. Credit Officers are now called Area Supervisors and Credit Agents are now referred to as Credit Agents.

4. make recommendation regarding business planning issues

This document is divided into four sections corresponding to each of these areas of inquiry.

Approach

The bulk of the work to fulfill this contract was carried out over a three week period (November 1-20) spent in the JWDS office in Jordan. Information was collected from the following sources:

1. interviews with JWDS staff to assess the effectiveness of procedures tested since May and discuss current issues being faced in the organization (see Appendix A for a list of people interviewed);
2. Credit Agent's meeting (monthly meeting held at the JWDS office) at which the new incentive scheme was introduced;
3. field visits to site offices (Karak, Madaba) for feedback on the Credit Agent's Manual and investigate issues related to reaching targets numbers;
4. relevant documents (drop out survey results, revised incentive scheme, delinquency procedures);
5. MIS database (performance statistics).

I. Review of changes implemented since May

One of the key weaknesses identified in May was poor group quality resulting from weak training. Too often members did not understand the group guarantee mechanism and took little responsibility for knowing other members let alone checking their capacity for loan repayment. In response to this a standard ***Credit Agent's Manual*** was created which detailed steps in group training.

A second area of weakness was the lack of standard procedures to guide the Credit Agents in following up on delinquent payments. To address this, a workshop with Area Supervisors was held and a step by step set of ***delinquency procedures*** was developed and included in the Credit Agent's manual. One of the issues in late payment was incorrectly filled vouchers. If the group did not write their group number clearly or accurately on the voucher their payment could be allocated incorrectly. The Credit Agent would end up pursuing a group that was current in it's payments and missing the true delinquents. This undermined the credibility of the organization and inhibited timely delinquency follow up. To reduce errors Credit Agents were to ***prepare nine vouchers*** (group number, loan number and bank account number) and give these to the Treasurer when she disbursed the check.

Before any of these procedures could be implemented the issue of staff morale had to be addressed. By April the Credit Agents were in strike mode. They had a number of complaints but the most grievous was the low salary (60 JD/month from which they had to pay for their own transportation to group meetings). The incentive scheme was set in such a way that very few received a bonus. In response, the incentive scheme was suspended until it could be properly revised. Credit Agent **salaries** were raised to 100 JD/ month and **travel** was paid out of petty cash.

In addition, a set of streamlined procedures were developed to be **pilot tested** in two site offices (Rusaife and Amman¹). The core of these procedures was the development of a **site center**. Centers are used for group orientation training, loan disbursement and voucher collection. Credit Agents rather than Area Supervisors would disburse the loans though the Supervisors could be available in the office to observe the transaction. These centers were also to test a **weekly disbursement** schedule. Loans would be disbursed on Monday mornings and two weeks later the Treasurer would bring the payment vouchers to the center Monday afternoon. Tuesday could then be dedicated to follow up on late payments. The other days of the week would be available for group training meetings and promotion.

Declining group numbers were attributed to a variety of issues related to the methodology. For example, older groups who lost a member had to find a second cycle or higher member to replace that person (first cycle members cannot join fourth cycle groups). These replacements were hard to find so the entire group was held up or lost altogether. To address this problem, the pilot sites tested **reduced advanced cycle group size** (minimum of 5) for groups in 5th cycle and above. A smaller initial group size (minimum of 5) was also tested in the rural areas around Irbid.

In order to understand better the issues of retention a **client drop out survey** was developed and implemented by all Credit Agents.

In addition to these procedural changes the Board had identified and hired a **new Executive Director** (Niveen Abboushi) and a new accountant.

Update on JWDS Operations

After Niveen's arrival, late May 1997, the operation made dramatic improvements. By the end of October 1998 the number of clients was up to 4966, the outstanding portfolio was 379,696JD and portfolio at risk was down to 2.9%.

The development of JWDS, as demonstrated in the rise and fall of these three indicators is shown below in figures 1,2 and 3.

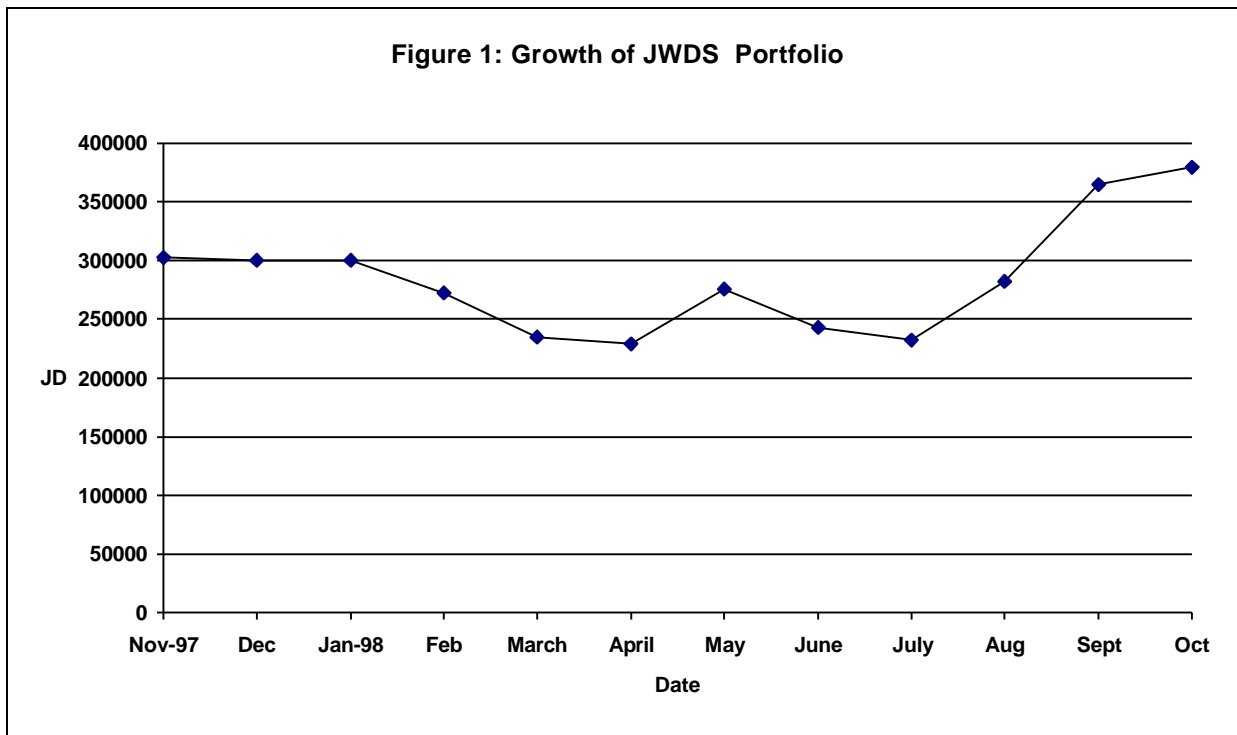


Figure 2: Percent of Portfolio at Risk

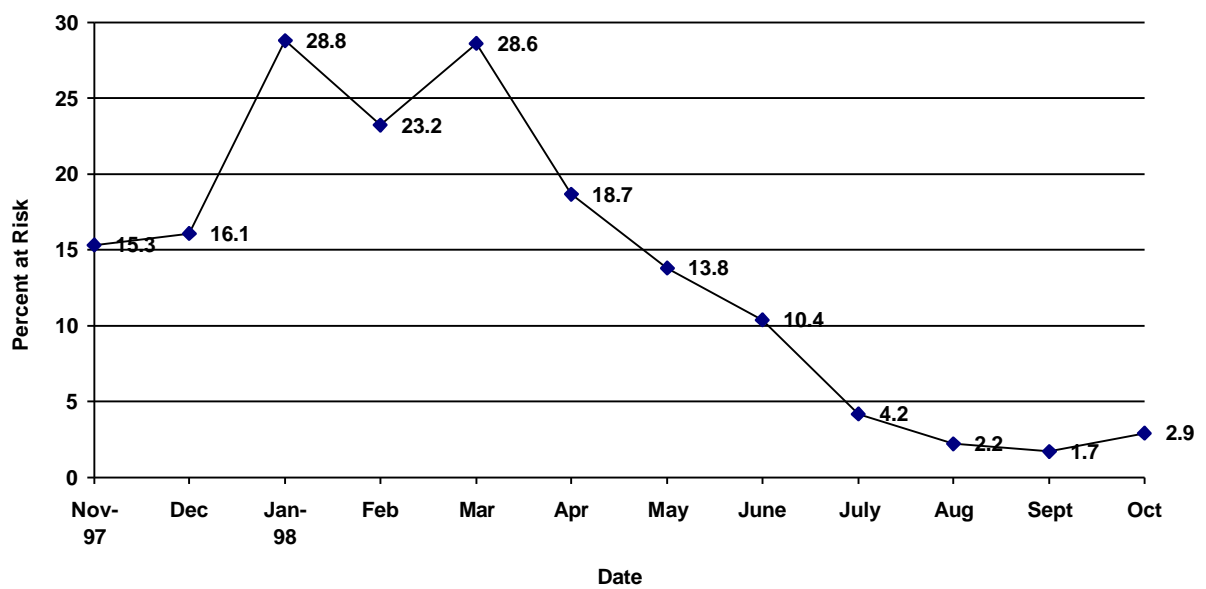
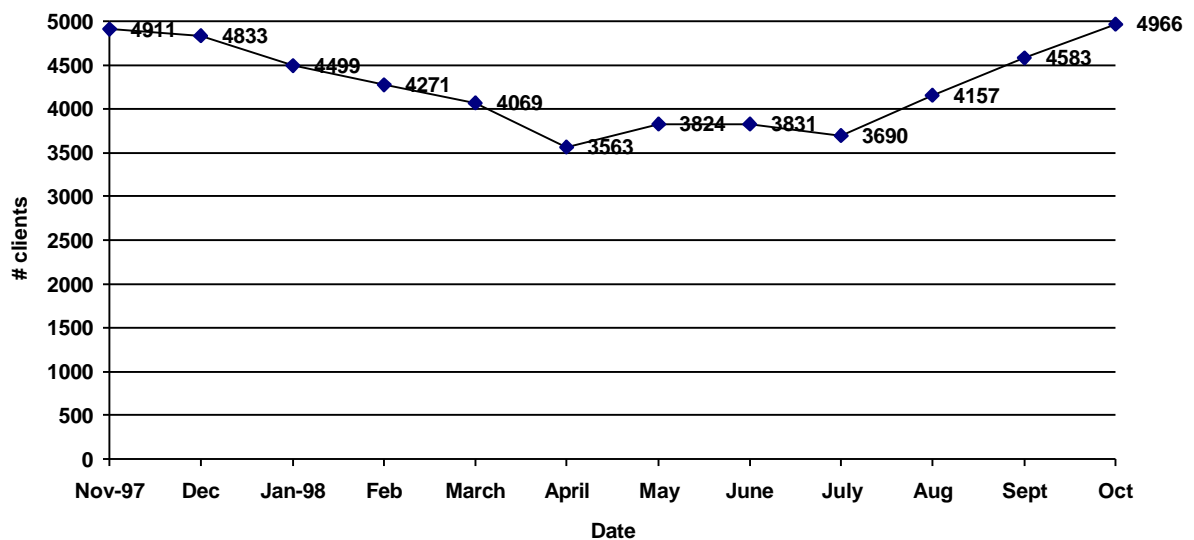


Figure 3: Number of Active Clients



1. Credit Agent's Manual

The Credit Agent's Manual was translated into Arabic in May and has been used by all Credit Agents. The individual loan application is being used - mostly filled by the Credit Agent in each members home. This takes a lot of time but it does ensure that each person has an enterprise. In the end it has improved group quality. The individual application form is filled once per client unless they change their business activity. Subsequent loan applications continue to use the current advanced cycle form.

Feedback on the manual indicates that the clarity and step by step process is helpful. Changes to the English version have been completed. Arabic revisions will be completed by Sahar Tieby by December 1, 1998.

Outstanding Revisions:

- Arabic format needs to be improved (bold and increase font size of headings) to make it more user friendly (Sahar)
- Arabic flip charts need to be created to match new procedures
- forms need to be revised (check signature required, remove references to savings)
- New Incentive scheme needs to be added to both

2. Delinquency Procedures

a. The step by step procedures outlined in the policy section of the Credit Agent's Manual were further revised to shorten the time spent in follow up. The revised Delinquency Procedures are presented in Appendix B.

Outcome of tightened procedures: Delinquent payments dropped to 0.8% as of October 98.

b. The use of Credit Agent prepared vouchers helped to reduced errors significantly. This practice was not uniformly applied across all sites as some areas were not able to get a sufficient number of vouchers from the bank. The Program Administration Manager will arrange with the bank to secure a sufficient supply of vouchers in the future.

c. The new incentive scheme takes into account errors which reinforces the importance of accuracy among Credit Agents.

d. The MIS produces a Delinquency Report every other week. However, the Area Supervisors need a process to track repayment on a daily basis.

Recommendation:

A copy of the MIS Delinquency Ledger (Appendix C) be made available for each office every week. Expected and actual repayments will be tracked daily on this form and then checked against the MIS bi-weekly report.

3. Salary adjustments/ Incentive scheme

The new salary structure is much more fair. While Credit Agents are happier than they were, they are still not entirely content with the amount. The new incentive scheme was introduced November 5 at the monthly Credit Agent's meeting. Under this scheme three areas are assessed for incentives: targets; retention; and delinquency (see Appendix D). The initial response of the Credit Agents has been restrained until they actually see how it translates into extra income for them.

Non-financial incentives have also been introduced which have helped significantly to boost staff morale. A Credit Agent of the Month is selected and rewarded with a certificate and a small gift. A staff celebration picnic was held in early October and a newsletter has been put together to give every one a sense of being part of a team with a common goal.

Though staff morale is greatly improved over last May, ongoing tensions continue around meeting targets. In Karak this fear about targets is compounded by increased client drop out as members have said they are going to leave JWDS and join the new local MFI.

4. Pilot sites

a. Site centers/ weekly disbursement

The use of the Center for group orientation meetings, loan disbursement and collection of vouchers worked very well. The following points summarize the comments made by the staff about the use of a center and weekly disbursements:

- use of the centers for disbursement and receiving vouchers makes more efficient use of Credit Agents time so they can easily serve 400 clients
- Area Supervisors can supervise Credit Agents better because they know where they are supposed to be and what they are supposed to be doing throughout the week
- gives presence and higher profile to JWDS in the community
- makes JWDS appear more professional
- daily hours of operation enable clients to organize their schedules as well because they know when the Credit Agent will be available
- centers used for client functions - in Amman a committee representing a number of groups has been elected to manage the center. These groups

contribute the rent (pay 30%) and organize events such as bazaars, networking between groups and training sessions.

Most groups continue to meet in their homes for repayment meetings. Previously the Credit Agent went to all repayment meetings. This was very time consuming and unproductive. By having the Treasurer bring the voucher to the Center the Credit Agents only follow up on groups that are late and make random visits to other groups.

Recommendation

All sites move to the use of a center and weekly disbursement schedule.

b. Credit Agent disburse checks

Having the Credit Agent disburse the check helps reinforce her responsibility for the quality of that group and loan. It also frees up the Area Supervisor to do spot checks, develop plans for the area, connect with other community groups, work with new CA's. Well developed internal controls are needed to ensure the system remains tight.

Recommendation:

Contingent upon the Area Supervisor's approval, Credit Agents may start to disburse loans directly (versus loans being disbursed by the Area Supervisor). Development of an internal control system is needed to ensure strict adherence to established procedures.

c. reduced group size for advanced cycle groups

Groups in their fifth cycle were allowed to shrink to a minimum of five members. This worked very well because these were proven groups and there was little extra effort required to approve them. The major suggestion coming from this test is that the policy be applied to 4th cycle groups as well since these groups are getting stuck at this level looking for a second cycle member.

Recommendation:

Fourth cycle groups be allowed a minimum of eight members.

Irbid rural areas tested an initial group size of five members. This did not work as well because Credit Agents found that each group takes the same amount of time to train but small groups result in a smaller portfolio (and incentives). So, despite the previous complaint that the group size was keeping people out of the program, the Credit Agents themselves are recommending that group size remain at 10 for the first three cycles.

Recommendation:

Groups in cycles one to three continue to have a minimum requirement of ten members.

5. Drop out survey

Client retention is a major issues for micro lending operations around the world. The cost of training groups is never recovered if members drop out after one or two cycles. In the case of JWDS a total of clients have been served yet the number of currently active clients is just 4966. The drop out rate represents a huge loss in potential revenue.

Credit Agents daily hear a number of complaints from clients and reasons for leaving the program. In order to move beyond anecdotal evidence and try to understand the reasons for this drop out a survey of dropped clients was conducted. Over a three month period (June to August) 1020 women dropped out. Credit Agents interviewed 581 of these drop outs. Clients were interviewed on the basis of availability rather than a random sample so only tentative conclusions may be drawn from the results. In addition the information recorded was not as complete as it could have been. Key findings are summarized in Tables 1 and 2 below.

Table 1: Last loan cycle of members who have dropped out (580 responses)

Last cycle	Number	Percent
First	443	76
Second	95	16
Third	16	3
Fourth	17	3
Fifth	9	2

The greatest percent of drop outs (79%) leave after the first cycle. It is unsettling that so many would drop out after just one cycle. Table 2 gives the reasons reported for dropping out.

Table 2: Most common reasons given for dropping out (544 responses)

Reason Given	Number	Percent
methodology	268	49
no project	66	12
failed project	49	9
moved	47	9
seasonal project	25	5
group did not renew	28	5
did not need loan	14	3
lack of access to markets	12	2
travel	10	2

interest rate	5	1
miscellaneous other	20	4

Methodology is the biggest reason given for client drop out. What does the response 'methodology' refer to? The terms? The group size? The size of loan? Anecdotal evidence shows that the bi-weekly payments are a problem for many clients who sell on credit and get monthly payments, or who have seasonal projects.

It is not entirely clear what the problem is with the monthly payments. In some groups members double up and make payments for each other on alternate due dates. This has the effect of creating bi-weekly payments. Even if payments were monthly the due date may come in the middle of the month which still would not coincide with when she gets paid.

Other questions raised by this data include: Is there any difference in response across the different site offices? At what cycle did groups not renew? Why?

Recommendation:

Client drop out is a serious problem that needs more attention. There is insufficient evidence at this point to change the terms of the loan however, the issue merits more in depth research. At starting point would be to reenter the data from the drop out survey into a spreadsheet in such a way that further analysis (e.g. crosstabs) are possible. In addition, the MIS needs to be modified so that retention data is more easily available. Basic statistics needed to fill in tables 3 and 4 below are not readily available at this point.

Table 3: MIS report on drop outs (total number dropped from program 15,925)

cycle dropped	number	percent
1		
2		
3		
4		
5		

Where are the drops occurring? Is it a specific area which might have specific product needs or are there issues with the methodology (product?) across all sites?

Table 4: MIS report on client drop out by site

site office drops	# dropped	% of JWDS drop	current # clients in site	% drop for site
Amman 1				
Amman 2				
Irbid				
Balqa				
Madaba				
Karak				
Rusaife				
Zarqa (closed)			0	100%

Replication of Pilot Procedures to other Site Offices

Based on the outcome of the pilot tests the management of JWDS decided to replicate these procedures across all of their sites. The following steps outline the basis process that each site needs to follow:

Site Office Steps

- ' Market/ Client Analysis: Each Site Office (AS and CA's) must compile market and client data for their area and outline the strengths and challenges that their particular site faces (see Part IV. Business Planning of this report).
- ' Planning: Based on the Market/ Client information the management and site staff must develop a long term (3-5 year) strategic plan and annual operational plan for the site.
- ' If the site does not have an office the Area Supervisor must find and rent office space suitable for use as a Center. Furniture (chairs, table, desks, filing cabinet and shelves) and fax machine must be purchased.
- ' Staff Training: Credit Agent training in the new procedures will accomplished through a joint training workshop at the JWDS head office (end of November?) and staff exchange to the pilot sites to observe the use of the Center in the weekly routine and involvement of clients in Center development.
- ' Meet with advanced cycle (6+) groups and document lessons learned
- ' Develop and implement a promotional strategy to increase public awareness and image of JWDS

Head Office Steps (*names of person responsible in brackets*)

- ' Consolidate lessons learned from pilot phase (in process)
- ' Restructuring of staff to decrease duplication of efforts, increase accountability of staff for loan decisions and development of site offices. Promoters to become Credit Agents and Credit Officers will become Area Supervisors (done)
- ' Develop job descriptions for new positions (done)
- ' Implement new incentive scheme (done)
- ' Hire Operations Coordinator (done)
- ' Revise current forms, develop new forms as needed (e.g. weekly Delinquency Ledger) (Sahar)
- ' Develop Area Supervisor's Manual (JH, Sahar)
- ' Develop Operations Manual (Sahar)
- ' Train staff - reinforce that accountability for group and loan quality is with the CA first and AS second. AS responsible for development of the area as a whole. (Aroub)
- ' Evaluation process refined and implemented (Sahar)
 - ' Refine reporting mechanism / information flows (Sahar, Dima, Aroub?)
- ' Develop internal control procedures (JH, Dima)

II. Internal Controls (draft)

Purpose:

1. to ensure consistency and quality of operations
2. to improve efficiency of operations (by determining sources and causes of errors)
3. to provide feedback to management
4. prevent fraud

Responsibility:

Every member of the staff team is responsible for ensuring adherence to established procedures resulting in high quality operations. Specifically the Internal Controller and Operations Coordinator are responsible for overseeing Operational Controls and the Financial Manager is responsible for developing and implementing Financial Controls.

(Note: this section deals specifically with Operational Controls. The Finance Department is responsible for creating a separate section on Financial Control procedures. To be completed by January 1999)

The key to a solid secure financial institution is to build a environment of discipline rather than suspicion. It should be taken for granted that all forms are filled in thoroughly, on time and accurately. This increases confidence in the system as a whole and reduces collective bad habits.

The internal controller is responsible to check for implementation of standard procedures. The source of irregularities are to be investigated with a view to improving inefficient systems, policies or staffing.

Staff are accountable to their supervisors, not the internal controller. Operational concerns identified by the Controller will be reported to the Operations Coordinator and the Executive Director.

Job Description: See Operations Manual - Personnel Section

Overview of Internal Control Procedures

Level	Check for	Method	
Group	<ul style="list-style-type: none"> - knowledge of JWDS policies and procedures - knowledge of each member - knowledge of group bylaws - loan disbursement/ repayment tracking 	<ul style="list-style-type: none"> - spot checks - group meetings (see spot check sheet) - treasurer reports 	I C C
Credit Agent	<ul style="list-style-type: none"> - group orientation properly - planning (promotion/ gp follow up) - following procedures - meeting targets - does not receive payments or accept partial payments - delinquency follow up procedures 	<ul style="list-style-type: none"> - observe training sessions - weekly schedule and activity rpt - group files complete, in order - MIS - voucher(name of depositor) - correction forms, delinquency ledger 	I C C
Area Supervisor	<ul style="list-style-type: none"> - planning for area development - implementation of plan - effectiveness of plan to meet #'s - enforcement of procedures/ - training of CA's - security of files - development of center 	<ul style="list-style-type: none"> - written monthly, quarterly, annual plans (mkting and promo) - weekly activity sheets - MIS - check through CA level - filing system in place, used, secure - plans; # activities held 	C C E L
Data Entry	- accuracy of data entry	- number of errors reported in one month	I
Accountant	regular cash accounting (other to be completed by Finance	to be completed by Finance Manager (by Jan 1999)	F M

	Manager)		
Board	proper/ timely decisions		C A

Group Quality Spot Check

Interview with entire Group conducted at a regular repayment meeting. Ask members at random to provide the following information:

1. the name, address and business of 2 other members
2. the loan amount that these members took and purpose for the loan
3. what does 'Group Guarantee' mean? (i.e. if some members cannot pay the others must pay for her)
4. who are the group Treasurer and Leader? What their jobs?
5. Presence of bylaws, what does the group bylaw state regarding actions in the case of non-payment. Ask for instances when they have used the bylaws

Ask to see the Treasurer's file. Check that each of the following forms are filled in completely and signed by the appropriate person:

1. loan receipt form showing how much money each member received.
2. loan repayment ledger (tracking each members payments)
3. contract summary sheet
4. voucher tracking form signed by CA to show transfer of completed voucher to Center
5. there is a sufficient number of vouchers available to make the remaining payments

Site Office Spot Check**Physical Office Site**

1. filing system in place and up to date
2. archiving system in place and up to date
3. security of equipment and files
4. hours of operation are posted and observed

Check the group files for the presence of all forms, and that they are filled completed and signed appropriately.

Group Files

- ☐ copy of the group bylaws
- ☐ individual loan applications
- ☐ copies of all group loan applications
- ☐ photocopies of member identification cards
- ☐ blue vouchers showing repayments
- ☐ group payment monitoring form (filled by CA)
- ☐ loan contract summary form
- ☐ copies of warning letters
- ☐ information regarding blacklisting of the group or members
- ☐ delinquency follow up forms

Voucher Control

Previous cases of fraud were committed when the Promoters would receive cash from the group and deposit it for them in the account. The Promoter did not give a receipt to the group so it is impossible to prove whether she actually took the money or whether the group is simply wrongly accusing her. The signed bank voucher is the only proof that the group has that it made a payment. Therefore tracking vouchers, though time consuming, is vital.

Incorrectly or sloppily completed vouchers result in the payment being assigned to the wrong group and a delinquency being incorrectly assigned. Tracking down these errors not only wastes a great amount of time but also generates confusion on the part of the Promoter and the group, and undermines the credibility of the institution. Minimizing voucher errors is a top priority.

To help avoid these sorts of errors the CA will:

1. prepare 9 vouchers (fill in the group number, loan number, bank account number) and give these to the group treasurer when she disburses the check. If the treasurer loses the vouchers she should get replacements from the CA (not the bank).
2. When the treasurer makes a deposit at the bank she should have the bank fill in the voucher supplied by JWDS. The name of the depositor, the date and amount of deposit should all be filled in at the bank. The name of the depositor will serve as a check that CA's are not taking payments directly from the group. JWDS will not accept partial payments.
3. After making the deposit the Treasurer will take the voucher to the JWDS center and hand it over to the CA. The CA must check that the voucher is completely filled in and then sign the Treasurers 'voucher tracking' form. This serves to prove that payment has been made and the voucher has been received.
4. The CA prepares a cover sheet itemizing all the vouchers she has received in the week and gives these to the AS who checks that the number of vouchers enclosed match the cover sheet.
5. The package is then brought or mailed to the HO each Thursday. Voucher packages are received at the JWDS office and the Receptionist enters the number and group identification number of each voucher in a ledger.
7. They are then passed onto Data Entry for input into the MIS.

8. The output is transferred to Finance for bank reconciliation and vouchers are stored securely by Finance for 2 years.

Other forms to be tracked

Form	Purpose	Filled by	Signed by	Retained by
individual loan application	client screening	client and/or CA	client, CA	group file
initial group application	group clearance by MIS	CA	Treasurer, Leader, CA	group file
check request	loan request by group	AS	AS, Fin	Finance, pc AS
group contract	amt each member takes	AS, CA	AS, CA, Gp. Leader, Treasurer,	Group File (summary), Finance (original)
check receipt	check amount received by group/ commit to repay	CA	Treasurer, Gp. Leader	Finance
voucher	track payment	CA, Treasurer	Treasurer, bank	pink -finance blue-group file
voucher receipt	track voucher	Treasurer	CA	Treasurer
Treasurer's member payment form	track member payments	Treasurer	client	Treasurer
gp loan receipt for each member	track amt given to each member	Treasurer	Treasurer, client	Gp Treasurer
advanced group application	apply for next loan	CA	n/a	CA
CA weekly schedule	monitor CA activity	CA	n/a	CA

III. Area Supervisor Manual

JWDS Area Supervisor's Manual

Draft Contents

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A. Area Development

See marketing Section for
Planning

- Data collection

- Developing long term and short term work plans

- Linkages with community leaders and local NGO's, bank relationships

Implementation

- monitoring targets

B. Management

time management

- prioritizing

- weekly scheduling

office management

- expenses

- security

- files

- schedules (open hours)

staff management

- hiring

- probationary period

- evaluation

- firing

- adherence to policies

- motivating staff

- seeking their input into planning, product development etc.

C. Staff Training

policies/ procedures
documentation/ reporting
'sales'
communication skills
group training/ facilitation
mobilizing group pressure

D. Group Assessment:

After the second Preparatory Meeting the CA should fill in the Initial Loan Application form and send it in to the Head Office for MIS clearance. The MIS will check that none of the members have been blacklisted or are current members of other groups.

Third Preparatory Meeting

Once the group has completed the preparatory process and have MIS clearance, they need to be approved by the Area Supervisor. It is important that staff never feel like they **have** to approve a group or loan. The approval stage is not a rubber stamp. It is a real "out" for JWDS to decline lending to a questionable group. It can be tough to decline a group at this level especially if they have worked through all the stages of the preparatory process.

Leading up to this stage, the Credit Agent must discuss any concerns about approval with the group and prepared them for the type of questions the Area Supervisor may ask.

Process:

The Area Supervisor will assess the group at two levels:

1. The capacity of their businesses to generate revenue to cover loan payments and
2. The strength of the group as a whole and their knowledge of JWDS policies.

A simple way to assess these two areas is to ask each member to introduce the person across from her and describe:

- the type of business she operates;
- the length of time she has been doing this;
- what she wants to do with the loan and;
- how the loan will help her business to be more profitable.

Interspersed with these business questions the Area Supervisor should ask questions that explore group cohesion. These questions may include:

- How long have you known this person?
- How did the group form?
- What are the responsibilities of the group leader, treasurer, secretary?
- What plans has the group made in case someone is unable to pay?
- What do you think about group guaranteed lending?

For subsequent loans add these questions:

- What was the previous loan used for? How did it help her business?
- Has the applicant's previous loan been repaid?
- How timely was the applicant's repayment of the previous loan?
- How committed was she to attending group meetings?

Keep notes on the approval meeting with the group. These notes should be kept with the group file.

Spot Check on Three Members

The Area Supervisor must visit at least three of the businesses before approving the group. The purpose of this visit is to verify the information given in the individual loan application.

These visits should occur within 2 days of the third preparatory meeting. If the Area Supervisor approves the group she will inform the Credit Agent (within 2 days of the 3rd meeting) and the loan will be disbursed on the next Monday.

If the group is not approved the Area Supervisor must explain to Credit Agent that the group is not yet ready to receive a loan. Specific items of concern will be communicated in writing to the group as well as steps they may take to prepare themselves to be approved in the future.

Loan Approval Process

The Credit Agent is responsible for training the group and assessing the loan application. If anything goes wrong it is primarily the job of the CA to respond to the group. However, the Area Supervisor acts as a second check - ie on the CA's work. Her check is not meant to replace the work of the CA at the same time ultimate responsibility rests with the Area Supervisor. Therefore, it is important that she approval all loans going through her office. The following points outline items to check for in approving a loan.

- check addresses - None of the members are from the same household

- check for MIS approval on all members (i.e. none are blacklisted or are currently borrowing in another group)
- check ID numbers and photocopies of ID cards are all present and numbers match

Check Request, Group Contract

Upon MIS approval the Area Supervisor will prepare the check requisition and send it to head office for check preparation (site offices prepare checks on site).

Area Supervisor and Credit Agent will prepare the Group contract. The Area Supervisor will fill the bulk of the contract while the Credit Agent will fill the sheets with the member names and other details.

4. Delinquency Management:

Daily Delinquency Tracking

Delinquency Ledger

(get blank from MIS)

Delinquency Procedures

# days late	Action to be taken by Credit Agent
1 (Tuesday) focus on moral pressure	Credit Agent to visit the Group Leader and <ol style="list-style-type: none"> 1. inform her that the group payment is late; 2. if the voucher is not delivered by Tues evening the leader should organize a group meeting for Wed am. 3. document on the Collection Form all discussions, actions and agreements
2 (Wed)	If there is no payment contact the Leader and hold the first emergency group meeting. <ol style="list-style-type: none"> 1. Inform them of the situation; 2. read the group by-laws regarding their action in this situation and your expectation of payment on the spot; (focus on benefits of loan and inform her that non-payment is theft - i.e. she is stealing money from her group members, the Credit Agent, future borrowers, and JWDS); 3. if some members do not show up then the all attending

	<p>members will visit the homes of the others to collect payment and apply moral pressure</p> <p>4. write all actions, decisions and discussions on the Collection Form.</p> <p>5. Treasurer to take payment to bank and bring voucher to Center immediately</p> <p>6. Remember - do not accept partial payments!</p>
3 (Thursday)	<p>If no payment - visit Group Leader and Treasurer re. Agreed upon actions of previous day: 1. Reinforce group moral and legal responsibility to repay;</p> <p>2. Get written promise regarding action for that day;</p> <p>3. write all actions, discussions, decisions on the Collection Form.</p>
6 (Sunday) focus on legal pressure	<p>Second emergency group meeting (AS and CA)- shift from moral to legal obligation:</p> <p>1. explain that non-payment affects future access to loans; they could be blacklisted with JWDS and all other MFI's; affects their reputation</p> <p>2. explain legal obligation (i.e. JWDS will send a letter from the lawyer and file a case in court);</p> <p>3. write all actions, discussions, decisions on the Collection Form</p> <p>4. Provide Program Admin Manager with group name and ID#, members names; amount delinquent and amount outstanding</p>
9 (Wednesday)	<p>Letter from Lawyer (asking for delinquent amount, if no payment in 3 days then JWDS will file a court case for the entire amount)</p>
14 (Monday)	<p>Now 2 payments are due. Both payments are due or the case will be filed.</p> <p>Group is permanently black listed</p> <p>Write all actions, decisions, discussions on the Collection Form.</p>
Ongoing	<p>in conjunction with the legal action the Credit Agent should continue to apply pressure to the group to secure repayment. Don't give up until there is absolutely no hope of collecting from any member of the group.</p>

Note: Copies of all letters must be kept in the group file
Credit Agent must document all interactions with the group specifying all actions (the group's and her own) on the Collection Form. A copy of this form is to be kept in the group file and a copy passed to the Area Supervisor.

E. Logistics

1. Logistics of running an office (choosing an office - what to look for; furniture; security)
2. Filing system - group files, correspondence...
3. Reporting to head office (Operations Coordinator)
 - monthly action plan
 - weekly statistics report against action plan

IV. Business Planning

A business plan charts the direction of the organization over the next few years. It is primarily a tool for management and secondarily a tool for fund raising. JWDS is using the CGAP developed business planning model. Along with that model is a guide for business planning which gives basic information on the process of business planning. The process will not be reiterated here. However, a business plan is only as good as the information that it is built upon. Before getting started the organization needs to collect background information in at least five categories:

1. ***Vision and Mission*** of organization must be clear. JWDS has spent quite a bit of time in this area already but it still needs to affirm the nature of the target group they want to serve (i.e. how poor?)
2. ***Market Analysis*** each site must describe their local market including:
 - geographic location
 - the nature different enterprise sectors (eg trade, production including food and crafts, agriculture (subdivided into livestock and crops)
 - size of each sector
 - types of financial services demanded in different sectors
 - trends in sectoral development (e.g. increase in tourism opportunities)
 - competition (other MFI's, money lenders, suppliers, banks, informal credit)
 - collaborators (TA providers, banks, other NGO's, local government)
 - access to markets (infrastructure, transportation)
3. ***Client -Enterprise Analysis***
 - types of enterprises in the area
 - demand for financial services
 - levels of business income and assets
 - other sources of income
 - business experience

Client - personal data

- age - what age group is targeted?
- literacy - are there different issues that arise when working with illiterate versus literate clients?
- ethnicity - are there different issues that arise when working with Palestinians in camp versus Bedouins in small towns?
- level of poverty - originally targeting extreme poor but projects had low absorptive capacity for credit - want to shift to working poor with solid projects who have capacity to advance to larger loans. Implications of the change? What procedural changes need to occur?

4. Institutional Analysis - each site as well as the institutional as a whole needs to assess their strengths (e.g. areas of experience, human resource capacity, systems capacity) and weaknesses (promotion , ...)

5. Environmental - a description of the national environment - e.g. inflation, political stability, regulatory environment, interest rate ceilings etc. is needed to help in product definition. A policy environment paper has been developed and is available from AMIR.

With this background information the organization can look at the last three stages of business planning:

1. **Product definition** - starting with a description of the product they already have JWDS needs to look at the fit between their product and the clients they are serving and those they would like to serve. Client interviews and drop out information is helpful in this exercise. If there is a mismatch between the product and target group - or if JWDS would like to target a different group then they will need to invest in some market research to get the information needed to design a new product.
2. **Projections** - based on past experience and the estimated market size for the targeted sectors the organization can project the rate of growth in uptake of their product. Once projections for loans have been estimated the costs can be factored in and financial requirements projected.
3. **Financial Sources**- Based on cash flow analysis generated by the CGAP model JWDS can determine when it will need extra capital and how much it will need. This then helps to direct fundraising efforts.

Issues

Marketing

Two basic problems were identified:

1. Area Supervisors for the most part do not understand basic marketing and sales techniques and
2. Many of the staff seem to not believe in the merit of the product they are providing.

Credit Agents and Area Supervisors both need training in

- marketing and sales
- short term and long term planning, setting targets,
- motivating clients and Credit Agents

Expansion

Geographic expansion

A. Rural

- site offices are expanding into rural areas to meet targets but there is no evidence that they have exhausted urban markets.
- Rural groups are very dispersed and cannot be served efficiently.
- There is a question whether the product is suited to rural areas where a higher percent of clients are involved in seasonal projects or are raising livestock. In these cases a different product with lower monthly payments and a balloon payment at the end of the term would be more appropriate. JWDS has no experience with this product and would have to do considerable market research and product testing before launching such a product.
- recommend going deeper in urban areas and cease promotion in rural areas.

B. Urban

Zarqa

- experienced fraud and was closed in March 1998
- Rusaife had a similar experience and was successfully reopened in May using the procedures
- recommend using similar procedures and slowly reopening Zarqa

Product Development

- advanced cycle loans need a longer term and may need monthly repayments
- individual loans for 'graduated clients' after 6th cycle need to be researched

Appendix A: People Interviewed

Jordanian Women's Development Society Staff Members

Niveen Abboushi	Executive Director
Arije Al -Amad	Program Administration Manager
Dima Bseiso	Internal Controller
Aroub Khayyat	Amman 1 Area Supervisor
Ruby Salem	Amman 2 Area Supervisor
Mona Abdeljawad	Rusaife Area Supervisor
Eva Habashneh	Karak Area Supervisor
Haya Majali	Karak Promoter
Ahlam Majali	Karak Promoter
Laila Shawabkha	Madaba Area Supervisor
Etidal	Madaba Promoter
Amal Halabi	Balqa Area Supervisor
Bassem Khanfar	Financial Manager

Other

Sahar Tieby	Consultant to JWDS
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Appendix B: Delinquency Follow Up Procedures

Number of days late	Action to be taken by Credit Agent
Day 1 Monday <i>focus on moral pressure</i>	Credit Agent to visit the Group Leader and <ol style="list-style-type: none"> 1. Inform her that the group payment is late. 2. If the voucher is not delivered by Monday evening, the leader should organize a group meeting for Tuesday morning. 3. Document on the "Delinquency Follow Up Sheet" all discussions, actions and agreements.
Day 2 Tuesday	If there is no payment, contact the Leader and hold the first emergency group meeting. <ol style="list-style-type: none"> 1. Inform them of the situation. 2. Read the group by-laws regarding their action in this situation and your expectation of payment on the spot; (focus on benefits of loan and inform them that non-payment is theft - i.e. she is stealing money from her group members, the Credit Agent, future borrowers, and JWDS). 3. If some members do not show up, then all attending members will visit the homes of the others to collect payment and apply moral pressure. 4. Write all actions, decisions and discussions on the Delinquency Follow Up Sheet. 5. Treasurer to take payment to bank and bring voucher to Center immediately. 6. Remember - do not accept "cash" or partial payments!
Day 3 Wednesday	If still no payment, visit Group Leader and Treasurer re. agreed upon actions of previous day: <ol style="list-style-type: none"> 1. Reinforce group moral and legal responsibility to repay. 2. Get written promise regarding action for that day. 3. Write all actions, discussions, decisions on the Delinquency Follow Up Sheet. 4. Keep Area Supervisor updated.
Day 4 Thursday	Daily follow up with Group Leader and Treasurer
Day 7 Sunday <i>focus on legal pressure</i>	Second emergency group meeting (AS and CA)- shift from moral to legal obligation: <ol style="list-style-type: none"> 1. Explain that non-payment affects future access to loans; they could be blacklisted with JWDS and all other MFI's; affects their reputation 2. Explain legal obligation (i.e. JWDS will send a letter from the lawyer and file a case in court). 3. Write all actions, discussions, decisions on the Delinquency Follow Up Sheet. 4. Area Supervisor to fill out the "Request for Legal Action –

	Warning Letters” and sends to Program Admin. Manager.
Day 8 Monday	<ul style="list-style-type: none"> Continued daily follow up with the Group Leader and Treasurer Document & update Area Supervisor
Day 9 Tuesday	<ul style="list-style-type: none"> Continued daily follow up with the Group Leader and Treasurer Document & update Area Supervisor
Day 10 Wednesday	<ul style="list-style-type: none"> Letter from Lawyer asking for delinquent amount is delivered to all group members. If no payment in 3 days then JWDS will file a court case and will foreclose on the entire amount.
Day 11 Thursday	<ul style="list-style-type: none"> Continued follow up with the Group Leader and Treasurer. Document & update Area Supervisor.
Day 14 Sunday	<ul style="list-style-type: none"> Continued follow up with the Group Leader and Treasurer. Document & keep Area Supervisor informed.
Day 15 Monday	<p>Now 2 payments are due:</p> <ol style="list-style-type: none"> 1- Inform the Group Leader that both payments are due or the case will be filed. 2- Group is permanently black listed. 3- Write all actions, decisions, discussions on the Delinquency Follow Up Sheet. 4- Inform Area Supervisor of delinquency status. 5- Area Supervisor fills out the “Request to File a case in Court” and sends to Programs Admin. Manager (and MIS Officer)
Ongoing	In conjunction with the legal action, the Credit Agent should continue to apply pressure to the group to secure repayment. Don't give up until there is absolutely no hope of collecting from any member of the group.

Request for Legal Action – Warning Letters

To: _____ Programs Administration Manager

From: _____ Area Supervisor

Date: _____

You are kindly requested to process issuing warning letters from the lawyer to the delinquent group members, as detailed below, in order to proceed with delinquency follow up procedures.

Group Code: _____

Group #: _____

Loan ID #: _____

Original Loan Amount JD _____

Outstanding Payment Amount JD _____

Number of Days Past Due _ "usually 7 days" _____

I will look forward to receiving the letters within 3 days of the date of this memo in order to follow up with the group accordingly.

Thank you.

"signed by A.S."

"Note - If the loan is paid out prior to filing a case in court

1- These sheets and all attached communications will be placed in the Group File at the Center.

2- Keep P.A. Manager informed for her follow up with the Lawyers."

Request for Legal Action – File a Case in Court

To: _____ Programs Administration Manager
cc.: _____ MIS Officer *“to blacklist group members”*
From: _____ Area Supervisor
Date: _____

You are kindly requested to pursue legal action against the delinquent group below, and to file a case in court to foreclose on the total outstanding balance. Please find necessary information below.

Group Code: _____

Group #: _____

Loan ID #: _____

Total Outstanding Amount JD _____

Names of borrowers

Addresses of Borrowers

- 1- _____

- 2- _____

- 3- _____

- 4- _____

- 5- _____

- 6- _____

- 7- _____

8- _____

9- _____

10- _____

Thank you, *"signed by A.S."*

Appendix C: Delinquency Ledger

Appendix D: Incentive Scheme

INCENTIVES SCHEME

The following incentive scheme has been developed under the following assumptions:

- *The organization should recognize and reward best performers. All staff should be of this caliber.*
- *The organization shall not tolerate low performers. Such staff will be given an opportunity to improve; however, if the problem is persistent, low performers will be replaced.*
- *This scheme may be adjusted periodically, depending on the priorities of the organization at that time. In such a case, staff will be informed in advance.*
- *Many variables, both quantitative and qualitative, were taken into account when developing this incentive scheme. These are based on the achievement of pre-set goals for each loan officer.*
- *Incentives will be paid on a quarterly basis, starting November 1998.*
- *The scheme has been finalized in coordination with the Credit Manager, the Area Supervisors and the Credit Agents.*
- *The basic criterion upon which this scheme was developed focused on SIMPLICITY: All Credit Agents must be able to fully understand the scheme for it to be successful.*
- *The underlying assumption for developing the scheme is to aggressively grow the portfolio while maintaining good quality control.*
- *Upon appointment, credit agents will train for a total of five months before assuming their full responsibilities. The salary breakdown will be as follows:*
 - JD85 for the first three months of training*
 - ➡ *JD100 for two months – not entitled to incentives*
- *Basic salary JD 100 plus incentives upon confirmation of employment.*
- *The incentive scheme is comprised of three components:*
 - ➡ *Set group target*
 - ➡ *Outstanding portfolio*

CRITERIA**TARGET****Accepted Loans:**

Above target by 2 groups or more (i.e. 4 new groups)	30% of salary
Above target by 1 group (i.e. 3 new groups)	25%
On target (2 new groups)	20%
Below target by 1 group (1 new group)	10%
Below target by 2 groups or more	
0% (warning letter)	

Retention Rate (per client)*:

>80%	25%
[70-80]%	15%
[60-70] %	10%
<60%	0%

- Calculated on a quarterly basis –as a percentage of salary- according to the following formula: (# of clients at end of period/ #clients at beginning of period + new clients throughout period)

B. PORTFOLIO***Quality: (delinquency)***

Average Delinquency Rate*	Number of Active Clients					
	100-150	151-200	201-250	251-300	301-350	> 350
<i>0 – 0.49</i>	<i>JD37.5</i>	<i>JD45</i>	<i>JD52.5</i>	<i>JD60</i>	<i>JD67.5</i>	<i>JD75</i>
<i>0.5 – 0.99</i>	<i>33.75</i>	<i>40.5</i>	<i>47.25</i>	<i>54</i>	<i>60.75</i>	<i>67.5</i>
<i>1.00 – 1.49</i>	<i>30</i>	<i>36</i>	<i>42</i>	<i>48</i>	<i>54</i>	<i>60</i>
<i>1.50 – 1.99</i>	<i>22.5</i>	<i>27</i>	<i>31.5</i>	<i>36</i>	<i>40.5</i>	<i>45</i>
<i>2.00 – 2.49</i>	<i>18.75</i>	<i>22.5</i>	<i>26.25</i>	<i>30</i>	<i>33.75</i>	<i>37.5</i>
<i>2.50 – 2.99**</i>	<i>15</i>	<i>18</i>	<i>21</i>	<i>24</i>	<i>27</i>	<i>30</i>
<i>3.00 – 3.99**</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<i>> 4.00***</i>	<i>NO BONUS</i>	<i>NO BONUS</i>	<i>NO BONUS</i>	<i>NO BONUS</i>	<i>NO BONUS</i>	<i>NO BONUS</i>

*Average delinquency rate is calculated by taking the average weekly delinquency rate (payments in arrears) per credit agent's portfolio - except for the first quarter payment (August-October 1998), whereby the average of the mid-month and end of month will be taken .

** Promoter will be placed on probation for 90 days with warning letters and close supervision throughout the period. Failure to remedy the situation will result in immediate dismissal from the organization.

***Promoter not eligible for incentives at all for that particular month ; probation for 90 days.

Size (outstanding portfolio)*:

JD 7,000 – 10,000	5%
JD 10,001 – 13,000	7%
JD 13,001 – 16,000	9%
JD 16,001 – 19,000	11%
JD 19,001 – 22,000	13%
JD 22,001 - 25,000	15%
JD 25,001 – 28,000	17%
JD 28,001 – 31,000	19%
JD 31,001 – 34,000	21%
JD 34,001 – 37,000	23%
JD 37,001 – 40,000	25%
JD 40,001 – 43,000	27%
JD 43,001 – 46,000	29%
JD 46,001 – 49,000	31%
JD 49,001 – 52,000	33%
JD 52,001 – 55,000	36%
JD 55,001 – 58,000	39%
JD 58,001 – 61,000	42%
> JD 61,000	45%

*Calculated for the quarterly period as a percentage of the total bonus.

**The floor bonus level for the outstanding portfolio is set at JD7,000. This is the break-even point for covering the loan officer's expenses (salaries; transportation; incentives) from the generated interest revenue.*

KILL CRITERIA: (NO INCENTIVES PAID FOR THAT PARTICULAR MONTH)

- > 3 processing errors per month (an equivalent of a one quarter working day will be deducted from the Credit Officer's salary for every 3 processing errors per area).
- Delinquency >4%